

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Fife Lake Public Library	County Grand Traverse
Fiscal Year End 12/31/2007	Opinion Date 5/30/2008	Date Audit Report Submitted to State June 30, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

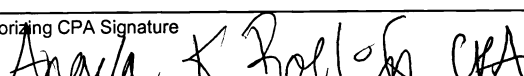
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter and SAS 114 Letter	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
Zip 49601			
Authorizing CPA Signature 	Printed Name Angela K. Roelofs, C.P.A.		License Number 1101029140

FIFE LAKE PUBLIC LIBRARY

FIFE LAKE, MICHIGAN

DECEMBER 31, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-6
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements	
Balance Sheet	9
Reconciliation of Balance Sheet to Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balance	11-12
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	13
Notes to Financial Statements	14-21
Required Supplementary Information	
Budgetary Comparison Schedule	22-23

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

May 30, 2008

INDEPENDENT AUDITORS' REPORT

Fife Lake Public Library
77 Lakecrest Lane
Fife Lake, Michigan 49633

We have audited the accompanying financial statements of the governmental activities and the major fund of the Fife Lake Public Library as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Fife Lake Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Fife Lake Public Library as of December 31, 2007 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information on pages 2-6 and 22-23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

The Fife Lake Public Library, a Public Library located in Grand Traverse County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Fife Lake Public Library's administration's discussion and analysis of the financial results for the fiscal year ended December 31, 2007 along with specific comparative information as required.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: Fund financial statements and government-wide financial statements.

A. Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

B. Government-wide Financial Statements

The government-wide financial statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The Library's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

C. Summary of Net Assets

The following schedule summarizes the net assets at December 31, 2007:

Assets

Current Assets	<u>\$ 27,887</u>
Non Current Assets	
Capital Assets	997,281
Less Accumulated Depreciation	<u>(403,337)</u>
 Total Non Current Assets	 <u>593,944</u>
 Total Assets	 <u>621,831</u>

Liabilities

Current Liabilities	<u>5,157</u>
---------------------	--------------

Net Assets

Invested in Capital Assets	593,944
Unrestricted	<u>22,730</u>
 Total Net Assets	 <u><u>\$616,674</u></u>

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

D. Analysis of Financial Position

During the fiscal year ended December 31, 2007, the Library's net assets decreased by \$23,920. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

GASB 34 requires Libraries to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended December 31, 2007, \$46,143 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended December 31, 2007, \$22,443 of expenditures were capitalized and recorded as assets of the Library. These additions to the Library's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, current year disposals and the current year's depreciation is a decrease to capital assets in the amount of \$23,700 for the fiscal year ended December 31, 2007.

E. Results of Operations

For the fiscal year ended December 31, 2007 the results of operations were:

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

General Revenues

Investment Earnings	\$ 1,853
Rent	700
State Sources	6,567
Other	<u>3,155</u>
Other General Revenues	<u>12,275</u>

Program Revenues

Charges for Services	0
Operating Grants and Contributions	<u>116,362</u>
Total Program Revenues	<u>116,362</u>
Total Revenues	<u>128,637</u>

Expenses

General Government	<u>152,557</u>
Changes in Net Assets	<u><u>\$ (23,920)</u></u>

F. Analysis of Significant Revenues and Expenses

Significant revenues and expenses are discussed in the segments below:

1. Operating Grants and Contributions

The Library receives majority of its revenue from Traverse Area District Library each year. During 2007, the Library received \$95,385.

2. State Sources

The majority of the state sources are comprised of penal fines received from Grand Traverse County. The Library collected \$6,567 in penal fines for 2007.

3. Expenses

The Library's largest expenses are salaries and depreciation expense. For the year ended December 31, 2007, salaries and depreciation expenses were \$66,744 and \$46,143 respectively.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

G. General Fund Budgetary Highlights

The Uniform Budgeting and Accounting Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on January 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on December 31.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual
Total Revenues	\$ 109,929	\$ 109,929	\$ 128,637
Total Expenditures	109,929	109,929	128,857
Excess of Revenues Over Expenditures	\$ 0	\$ 0	\$ (220)

In total, there was no change in the Original Budget to Final Budget.

H. Capital Assets

At December 31, 2007, the Library had \$593,944 in capital assets, including buildings and land, equipment, furniture and fixtures, as well as books. Depreciation expense for the year amounted to \$46,143 bringing the accumulated depreciation to \$403,337 as of December 31, 2007.

I. Factors Bearing on the Library's Future

At the time that these financial statements were prepared and audited, the Library was aware of the following items that could significantly affect its financial health in the future:

A significant portion of the Library's funding comes from the Traverse Area District Library. Any impairment to these funding sources would greatly impact the future of the Library.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

J. Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report, please contact the Fife Lake Public Library, 77 Lakecrest Lane, Fife Lake, MI 49633.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 27,887
------	-----------

NON CURRENT ASSETS

Capital Assets	997,281
----------------	---------

Less: Accumulated Depreciation	<u>(403,337)</u>
--------------------------------	------------------

Total Non Current Assets	<u>593,944</u>
--------------------------	----------------

TOTAL ASSETS	<u><u>\$ 621,831</u></u>
--------------	--------------------------

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 2,955
------------------	----------

Accrued Liabilities	<u>2,202</u>
---------------------	--------------

Total Liabilities	<u>5,157</u>
-------------------	--------------

NET ASSETS

Invested in Capital Assets	593,944
----------------------------	---------

Unrestricted	<u>22,730</u>
--------------	---------------

Total Net Assets	<u>616,674</u>
------------------	----------------

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 621,831</u></u>
----------------------------------	--------------------------

The notes to the financial statements are an integral part of this statement.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	ACTIVITIES
				NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Recreation and Culture	\$ 152,557	\$ 0	\$ 116,362	\$ (36,195)
<u>GENERAL REVENUES</u>				
Investment Earnings				1,853
Rent				700
State Sources				6,567
Other				3,155
Total General Revenues				12,275
Change in Net Assets				(23,920)
<u>NET ASSETS</u> - Beginning of Year				640,594
<u>NET ASSETS</u> - End of Year				\$ 616,674

The notes to the financial statements are an integral part of this statement.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

BALANCE SHEET

DECEMBER 31, 2007

ASSETS

Cash	\$ 27,887
------	-----------

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 2,955
Accrued Liabilities	2,202

Total Liabilities	5,157
-------------------	-------

FUND BALANCE

Unreserved	
Undesignated	22,730

TOTAL LIABILITIES AND FUND BALANCE	\$ 27,887
---------------------------------------	-----------

The notes to the financial statements are an integral part of this statement.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

RECONCILIATION OF BALANCE SHEET TO NET ASSETS

DECEMBER 31, 2007

Total General Fund Balance	\$ 22,730
----------------------------	-----------

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the fund

The cost of the capital assets is	997,281	
Accumulated depreciation is	(403,337)	593,944
	<hr/>	<hr/>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 616,674</u>
---------------------------------------	-------------------

The notes to the financial statements are an integral part of this statement.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2007

REVENUES

State Grants	
State Aid	\$ 1,199
Penal Fines	6,567
Contributions from Local Units	
Traverse Area District Library	95,385
Springfield Township	1,775
Interest and Rents	
Earnings on Investments and Deposits	1,853
Community Room Rental	700
Other Revenue	
Donations	18,003
Book Fines and Miscellaneous	2,195
Reimbursements	960
	<hr/>
Total Revenues	128,637

EXPENDITURES

Recreation and Culture

Personal Services	
Salaries	66,744
Employee Fringe Benefits	
Payroll Taxes	5,106
Supplies and Materials	
Office Supplies	1,595
Other Services and Charges	
Purchased Services	
Administration, Bookkeeping and Auditing	2,839
Telephone	766
Utilities	6,972
Insurance	1,578
Travel	412
Repairs and Maintenance	5,593

The notes to the financial statements are an integral part of this statement.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2007

Other	
Miscellaneous	493
Dues and Fees	1,052
Program Expenses	2,176
Workshops	343
Capital Outlay	
Library Books	18,166
Periodicals	1,096
Videos and DVD's	1,148
Equipment, Furniture and Fixtures	12,778
Total Expenditures	<u>128,857</u>
Excess of Revenues Over (Under) Expenditures	(220)
<u>FUND BALANCE</u> - Beginning of Year	<u>22,950</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 22,730</u>

The notes to the financial statements are an integral part of this statement.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2007

Net Change in Fund Balance	\$ (220)
----------------------------	----------

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.
These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(46,143)
Capital Outlay	<u>22,443</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (23,920)</u></u>
---	---------------------------

The notes to the financial statements are an integral part of this statement.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fife Lake Public Library have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

A. Reporting Entity

The Fife Lake Public Library was established as a Township Library in 1887. The Library board consists of six members who are elected by the voters of Fife Lake Township during regular Township elections.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

The government-wide focus is more on the sustainability of the Library as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Library are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Accrual Basis

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Basis

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

State aid and interest are susceptible to accrual. Other receipts become measurable and available when cash is received by the Library and are recognized as revenue at that time. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund type:

The General Fund is the primary operating fund of the Library. It is used to account for all financial resources of the Library.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

D. Assets, Liabilities and Equity

1. Deposits and Investments

(I) State statutes authorize the Library to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- (c) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- (d) In repurchase agreements consisting of instruments listed in subdivision (a).
- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) In mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Library. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund received collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

- (II) A Library that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

2. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Books	5 years
Furniture and Fixtures	7 years
Equipment	5 years
Leasehold Improvements	20 years
Buildings and Building Improvements	25-40 years

The Library's capitalization policy is to capitalize individual amounts exceeding \$1,000 for equipment and machinery, \$10,000 for buildings and building improvements, \$2,500 for improvements other than buildings and all books.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

4. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. An operating budget is prepared annually. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is approved by the Library board prior to the start of the fiscal year which it covers.
3. All transfers of budget amounts between accounts within the General Fund must be approved by the Library board.
4. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Library board.
5. Budget appropriations lapse at the end of the fiscal year.
6. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Library because, at present, it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

B. Expenditures in Excess of Appropriations

During the year ended December 31, 2007, the Library incurred expenditures in excess of amounts appropriated in the following accounts:

	<u>ORIGINAL</u> <u>AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Salaries	\$ 54,000	\$ 66,744	\$ 12,744
Miscellaneous	0	493	493
Dues and Fees	1,000	1,052	52
Program Expenses	2,000	2,176	176
Library Books	12,000	18,166	6,166
Periodicals	750	1,096	346
Equipment, Furniture and Fixtures	1,600	12,778	11,178

These overages were funded by greater than anticipated revenues and available fund balance.

III. DETAILED NOTES ON GENERAL FUND

A. Deposits and Investments

The Library's deposits and investments are all on deposit with Forest Area Federal Credit Union of Fife Lake.

Investment rate risk. The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Foreign currency risk. The Library is not authorized to invest in investments, which have this type of risk.

Credit risk. The Library will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Library's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Library will do business in accordance with the Library's investment policy.

Concentration of credit risk. The Library will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2007, \$39,810 of the library's bank balance of \$195,505 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Library held no investments.

B. Capital Assets

A summary of changes in the Library's capital assets follows:

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
Capital assets not beginning depreciated				
Land	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Capital assets being depreciated				
Books	407,333	21,193	3,881	424,645
Furniture and Fixtures	23,389	0	0	23,389
Buildings	506,532	0	0	506,532
Equipment	11,465	1,250	0	12,715
Total capital assets being depreciated	948,719	22,443	3,881	967,281
Less Accumulated Depreciation:				
Books	340,326	29,500	3,881	365,945
Furniture and Fixtures	1,949	3,341	0	5,290
Buildings	7,828	12,663	0	20,491
Equipment	10,972	639	0	11,611
Total Accumulated Depreciation	361,075	46,143	3,881	403,337
Total capital assets being depreciated, net	587,644	(23,700)	0	563,944
Net capital assets	\$ 617,644	\$(23,700)	\$ 0	\$ 593,944

Depreciation for the fiscal year ended December 31, 2007 amounted to \$46,143.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

IV. OTHER INFORMATION

A. Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Library has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2007

<u>REVENUES</u>	ORIGINAL AND FINAL BUDGET	ACTUAL
State Grants		
State Aid	\$ 1,144	\$ 1,199
Penal Fines	6,000	6,567
Contributions from Local Units		
Traverse Area District Library	95,385	95,385
Springfield Township	1,500	1,775
Interest and Rents		
Earnings on Investments and Deposits	400	1,853
Community Room Rental	1,000	700
Other Revenue		
Donations	1,500	18,003
Book Fines and Miscellaneous	2,000	2,195
Reimbursements	1,000	960
Total Revenues	109,929	128,637
 <u>EXPENDITURES</u>		
<u>Recreation and Culture</u>		
Personal Services		
Salaries	54,000	66,744
Employee Fringe Benefits		
Payroll Taxes	5,400	5,106
Supplies and Materials		
Office Supplies	2,020	1,595
Other Services and Charges		
Purchased Services		
Administration, Bookkeeping and Auditing	3,000	2,839
Telephone	2,000	766
Utilities	10,409	6,972
Insurance	3,000	1,578
Travel	1,000	412
Repairs and Maintenance	9,250	5,593

The notes to the financial statements are an integral part of this statement.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2007

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>
Other		
Miscellaneous	0	493
Dues and Fees	1,000	1,052
Program Expenses	2,000	2,176
Workshops	1,000	343
Capital Outlay		
Library Books	12,000	18,166
Periodicals	750	1,096
Videos and DVD's	1,500	1,148
Equipment, Furniture and Fixtures	1,600	12,778
Total Expenditures	<u>109,929</u>	<u>128,857</u>
Excess of Revenues Over (Under) Expenditures	0	(220)
<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>	<u>22,950</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 22,730</u>

The notes to the financial statements are an integral part of this statement.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

May 30, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors
Fife Lake Public Library
Fife Lake, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Fife Lake Public Library for the year ended December 31, 2007, and have issued our report thereon dated May 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 14, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Fife Lake Public Library are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted. We proposed several adjusting journal entries that were accepted and recorded by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 30, 2008.

Other Audit Findings or Issues

During the course of our audit of the basic financial statements of Fife Lake Public Library for the year ended December 31, 2007, we noted the following item which we feel deserves comment:

Budgeting

At December 31, 2007, total expenditures exceeded the budget. P.A. 621 requires amending the budget prior to authorizing expenditures that would cause such overages. The minutes should also clearly indicate adoption of the budget prior to the start of the next fiscal year, and detail subsequent amendments, if any. This is not only a requirement of P.A. 621, but also a requirement of sound budgeting theory. The purpose of a budget is not only to approve expenditures but also to control expenditures.

Receipts

Pre-numbered receipts should be issued for all funds received by the Library. By using pre-numbered receipts and issuing receipts for all funds received, the Library can control the receipts by accounting for the used receipts. Also, it allows the Library to track the timeliness of bank deposits during the year.

Investment Policy

We recommend the Library officially adopt an investment policy which specifies which types of investments the Library is authorized to invest in. If a sample investment policy is needed, our office can supply you with one.

Condition of Accounting Records and Accounting Controls

We would like to commend the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

May 30, 2008

To the Board of Directors
Fife Lake Public Library
Fife Lake, Michigan

In planning and performing our audit of the financial statements of Fife Lake Public Library, Fife Lake, Michigan for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Library makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above. However, we believe that number one described above is a material weakness.

This communication is intended solely for the information and use of the Board and others within the organization and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.